

Message Text

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FM AMEMBASSY PARIS
TO SECSTATE WASHDC 7950
INFO AMEMBASSY BONN
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AMCONSUL BORDEAUX
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C O N F I D E N T I A L SECTION 01 OF 03 PARIS 07431

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PASS TREASURY

E. O. 11652: GDS
TAGS: EFIN, FR
SUBJECT: FRENCH ELECTIONS: THE PATRONAT PREPARES

REF: PARIS 05436

1. SUMMARY

THE NATIONAL COUNCIL OF FRENCH EMPLOYERS (CNPF OR
PATRONAT) IS THE PRIME VOICE OF BUSINESS AND PLAYS
AN IMPORTANT ROLE IN SHAPING ECONOMIC PERFORMANCE
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AND POLICY IN FRANCE. THOUGH LESS OVERT, ITS
POLITICAL ROLE IS ALSO IMPORTANT. MOST FRENCH
BUSINESSMEN ARE EXTREMELY SKEPTICAL ABOUT THE
LEFT'S COMMON PROGRAM. ACCORDINGLY, THE CNPF
IS ATTEMPTING TO PUBLICIZE ITS VIEW OF THE COMMON
PROGRAM'S PERILS, AND THERE ARE REPORTS OF
BUSINESS BANKROLLING OF THE CURRENT MAJORITY

PARTIES. AT THE SAME TIME A MAJORITY OF BUSINESSMEN EXPECT THE LEFT TO WIN; MANY HAVE LINES OF COMMUNICATION OPEN TO THE SOCIALISTS AND SOME FUNDS HAVE NO DOUBT FLOWED IN THIS DIRECTION AS WELL. SHOULD THE LEFT WIN, THE PATRONAT HAS PREPARED ITSELF FOR SOME HARD BARGAINING. IN ORDER TO OFFSET THE SHARP WAGE INCREASES THAT THE LEFT WOULD DECREE AND TO ASSURE THE WHEREWITHAL FOR ACCELERATED INVESTMENT AND HIRING, THE CNPF WOULD NEGOTIATE FOR A MAXIMUM OF RELIEF ON PAYROLL TAXES AND ON PRICE CONTROLS AND FOR GREATER ACCESS TO SUBSIDIZED INVESTMENT CAPITAL. BUT CNPF LEADERS ARE QUITE PESSIMISTIC ABOUT THE OUTCOME.

2. SHOULD THE CURRENT MAJORITY WIN, THE CNPF WOULD STILL FACE TOUGH BARGAINING WITH THE UNIONS ON WAGES, AND WITH THE GOVERNMENT, FROM WHOM IT SEEKS GREATER PRICE FREEDOM, TAX ABATEMENT AND OTHER INVESTMENT INCENTIVES, AND ACCELERATED ECONOMIC GROWTH. THE PATRONAT'S TASK WOULD BE EASIER IF THE RPR EMERGED IN A DOMINANT ROLE, SINCE THEIR ECONOMIC PROGRAMS LARGELY COINCIDE. WITH A NEW BARRE GOVERNMENT, THE PATRONAT WOULD ALSO EXPECT TO FIND A WORKABLE ACCOMMODATION, THOUGH ITS SIGH OF CONFIDENTIAL

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RELIEF MIGHT BE LESS AUDIBLE. END SUMMARY

3. POWER OF THE PATRONAT

ALTHOUGH NOT REPRESENTATIVE OF ALL OF BUSINESS, THE CNPF (CONSEIL NATIONAL DU PATRONAT FRANCAIS, OR PATRONAT FOR SHORT) CARRIES CONSIDERABLE WEIGHT IN FRENCH ECONOMIC AND POLITICAL LIFE. ROUGHLY ANALOGOUS TO THE NAM, THE PATRONAT EXERTS CONSIDERABLY GREATER INFLUENCE THAN ITS US COUNTERPART. FRENCH BUSINESS HAS A MUCH CLOSER RELATIONSHIP WITH GOVERNMENT -- BOTH FORMALLY AND INFORMALLY -- AND THERE IS A TRADITION OF CONCERTED BUSINESS ACTION ON ECONOMIC POLICY. DURING THE PAST SEVERAL MONTHS, FOR EXAMPLE, SEVERAL HUNDRED THOUSAND WORK AND TRAINING OPPORTUNITIES FOR THE YOUNG HAVE BEEN MADE AVAILABLE THROUGH A CONCERTED EFFORT INVOLVING THE CNPF, AND THE CGPME (ITS COUNTERPART FOR SMALL AND MEDIUM-SIZED BUSINESS), AND A SET OF TEMPORARY TAX INCENTIVES FOR SUCH PROGRAMS.

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4. POLITICALLY, THE CNPF, THE CGPME, AND OTHER
BUSINESS ORGANIZATIONS THAT TEND TO FOLLOW THE
PATRONAT'S LEAD CARRY CONSIDERABLE WEIGHT. THEIR
MEMBERSHIP, ALONG WITH FARMERS AND THE LIBERAL
PROFESSIONS, CONSTITUTE THE BACKBONE OF THE
PRESENT MAJORITY'S ELECTORATE, AND THERE ARE
REPORTS OF HEAVING FUNDING OF MAJORITY
CANDIDATES FROM BUSINESS SOURCES. NOT
SURPRISINGLY, THE CURRENT MAJORITY HAS BEEN AVIDLY
SEEKING SUPPORT FROM THIS QUARTER. SO HAVE THE
SOCIALISTS, WHO HAVE SOUGHT TO CALM FEARS IN
THE BUSINESS SECTOR BY DRAWING A CLEAR LIMIT TO
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NATIONALIZATIONS AND BY TALK OF A MORE RESPONSIBLE
DE FACTO APPROACH TO ECONOMIC MANAGEMENT THAN
THEIR RHETORIC HAS LED BUSINESSMEN TO FEAR.

5. THE PATRONAT AND THE LEFT

THE CNPF, WHILE ATTEMPTING NOT TO STRAY TOO FAR
FROM AN APOLITICAL STANCE, HAS THROWN ITS
FULL WEIGHT AND RESOURCES INTO THE EFFORT TO
AVOID A LEFT VICTORY. ITS PRESIDENT, FRANCOIS
CEYRAC, AND OTHER TOP SPOKESMEN HAVE
CONDEMNED THE LEFT'S ECONOMIC PROGRAM AS LEADING
TO DISASTER, AND PATRONAT MEMBERS HAVE BEEN
ASKED TO WORK ACTIVELY IN FAVOR OF THE
MAJORITY AT THE LOCAL LEVEL. PERHAPS MORE
IMPORTANTLY, THE CNPF AND OTHER BUSINESS
ORGANIZATIONS HAVE BEEN REMARKABLY COOPERATIVE
WITH THE BARRE GOVERNMENT IN RECENT MONTHS.
WITH UNEMPLOYMENT A MAJOR POLITICAL ISSUE, THE
SUCCESSFUL JOB-CREATION PROGRAM MENTIONED ABOVE
HAS BEEN AN IMPORTANT ASSIST FOR THE MAJORITY.
AND ONE COULD ARGUE THAT OTHER ECONOMIC
INDICATORS, SUCH AS INFLATION, TRADE AND
INVESTMENT FLOWS AND THE EXCHANGE RATE,
MIGHT BE LESS FAVORABLE BUT FOR PATRONAT
EFFORTS TO MOBILIZE BUSINESS TO SUPPORT A
HEALTHIER ECONOMIC CLIMATE.

6. BUT FOR MUCH OF THE PAST TWO YEARS A MAJORITY
OF BUSINESSMEN HAVE THOUGHT THAT THE LEFT WOULD
IN FACT WIN AND MANY HAVE BEEN TAKING PRECAUTIONS --
ONE REASON FOR THE STAGNANT DOMESTIC INVESTMENT
AND NET OUTFLOW OF LONG-TERM CAPITAL OF
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RECENT MONTHS. SIMULTANEOUSLY, MANY HAVE
BEEN INFORMALLY IN CONTACT WITH THOSE
SOCIALIST LEADERS WHOM THEY CONSIDER THE MOST
"RESPONSIBLE." AND, ALTHOUGH THE CNPF HAS STOPPED
SHORT OF SAYING PUBLICLY THAT IT COULD WORK WITH
A LEFT GOVERNMENT, IT HAS AMENDED ITS CONSTITUTION
TO PERMIT A THIRD TERM FOR ITS CURRENT
PRESIDENT. DURING THE SOCIAL UPHEAVAL OF MAY-JUNE
1968, CEYRAC WAS THE PATRONAT'S CHIEF
NEGOTIATOR IN THE SO-CALLED "GRENELLE AGREEMENT"
WHICH FINALLY DEFUSED THE CRISIS. THE
AGREEMENT PROVIDED FOR MASSIVE WAGE INCREASES
AND OTHER SOCIAL BENEFITS, BUT WITH OFFSETTING

ADVANTAGES TO BUSINESS. IF THE LEFT WINS, THERE
WILL BE AN ATTEMPT AT A SIMILAR BUSINESS-LABOR-
GOVERNMENT AGREEMENT UNDOUBTEDLY WITH CEYRAC AS
A PRINCIPAL NEGOTIATOR (SEE REFTEL). THE
PATRONAT IS THUS PREPARED FOR DIFFICULT
NEGOTIATIONS SHOULD THE LEFT WIN, AND SEEMS
TO HAVE ITS PRIORITIES CLEAR: MAXIMUM EFFORTS
TO PROTECT THE FREEDOM OF ACTION OF CORPORATE
MANAGEMENT -- WHICH IMPLIES AS LITTLE GOVERNMENT
INTERFERENCE AS POSSIBLE WITH PRICING, HIRING
AND INVESTMENT POLICIES, AND AS WIDE AS
POSSIBLE A MARGIN OF PROFIT AND THEREFORE OF SELF-
FINANCING OF INVESTMENT. THESE GOALS RUN DIRECTLY
COUNTER TO THE LEFT'S PLANS FOR INCREASED WAGES
AND CORPORATE TAXATION AND FOR TEMPORARY PRICE
CONTROLS; IT ALSO COLLIDES WITH
THE SOCIALIST AND COMMUNIST VIEWS ABOUT CORPORATE
FINANCIAL MARGINS AND ABOUT THE DESIRABILITY OF
CHANNELING INVESTMENT TOWARD PRIORITY SECTORS
(WHICH WOULD BE DETERMINED BY "DEMOCRATIC PLANNING").
THE NEGOTIATIONS WOULD BE DIFFICULT INDEED, BUT A
DISGRUNTLED PATRONAT MIGHT MAKE THE ALREADY
PROBLEMATIC PROSPECTS FOR LEFT ECONOMIC
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MANAGEMENT EVEN LESS PROMISING.

7. SOLUTION -- A RETURN OF THE PRESENT MAJORITY?

DESPITE THE PATRONAT'S ARDOR TO AVOID A LEFT VICTORY, NOT ALL WOULD BE SWEETNESS AND LIGHT SHOULD THE CENTER-RIGHT WIN, PARTICULARLY IF THE BARRE PROGRAM WERE CONTINUED. THE CNPF AND MOST OF BUSINESS HAS BEEN UNHAPPY WITH THE DEGREE OF GOVERNMENT INTERVENTION AND WITH THE BARRE-IMPOSED ECONOMIC SLOWDOWN. THEY WOULD FAVOR A SHARP ACCELERATION OF ECONOMIC GROWTH THROUGH INCREASED INCENTIVES, AND REDUCED GOVERNMENT CONFIDENTIAL

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INTRUSION. THIS LARGELY COINCIDES WITH THE GAULLIST ECONOMIC PROGRAM AND BUSINESS-GOVERNMENT RELATIONS WOULD BE AT THEIR MOST HARMONIOUS SHOULD THE RPR EMERGE IN A DOMINANT POSITION. BUT EVEN IF BARRE WERE REAPPOINTED, A MODERATELY COMFORTABLE ACCOMMODATION WOULD BE LIKELY. IN EITHER CASE, AFTER ITS INITIAL SIGH OF RELIEF, THE PATRONAT WOULD BE PUSHING HARD FOR A RETURN TO FULL PRICE FREEDOM AND FOR GENEROUS INVESTMENT INCENTIVES IN THE FORM OF TAX ABATEMENT AND GOVERNMENT-SUBSIDIZED LONG-TERM CREDITS. AND -- IF ONE MAKES THE HEROIC ASSUMPTION OF REASONABLE POLITICAL AND SOCIAL STABILITY -- BUSINESS INVESTMENT, EMPLOYMENT, AND OVERALL MOOD AND PERFORMANCE COULD BE EXPECTED TO PICK UP SUBSTANTIALLY.
HARTMAN

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Message Attributes

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